NEW INVESTMENTS AND INDUSTRIAL LOCATION:
LABOUR QUALIFICATION AND ORGANISATIONAL STRATEGIES

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NEW INVESTMENTS IN BRAZIL’S AUTOMOTIVE INDUSTRY

Ford and General Motors have been assembling vehicles locally since 1919 and 1923, respectively, but the automotive sector was only really established in 1956 as a result of the policy of president Kubitschek’s government to attract direct investments aimed at industrializing the country. At that time, several North American and European automakers established operations in São Paulo and in neighbouring municipalities, mainly in the ABC region. Volkswagen was the first to begin production in Brazil and has, since then, been the leader of passenger car sales in the country, where the company has its largest investment outside of Germany. This company had already been assembling vehicles in Brazil since 1953, but only actually began local production in the late 1950s.

The obligatory nationalization of vehicle components led the automakers to verticalise their production and contributed toward the emergence and consolidation of a national autoparts industry. Some of the automakers influenced the arrival of suppliers with whom they worked in their countries of origin. Many of the foreign investments were made through the acquisition of companies from the metalwork sector, or even through association with old national aftermarket parts manufacturers. Until quite recently, the autoparts industry was composed of about 1,500 companies, 700 to 800 of which supplied directly to the

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1 For the first time, Volkswagen lost its leadership to Fiat in November of 2001, and recent news are giving notice that it sold less than Fiat and General Motors in the first months of 2002.

2 The index of component nationalization reached 98% in the 60s (TAULE, 1984).
The majority of Brazil’s large autoparts manufacturers, i.e., about 30 to 40 companies of predominantly foreign origin, were responsible for at least 40% of supplies to the country’s automakers (ADDIS, 1990).

Since the mid-1990s, Brazil’s automotive industry has undergone transformations resulting from its efforts to remodel the sector in the attempt to face oscillating sales brought about by economic instability, to compensate for years of economic stagnation and technological backwardness, and to prepare for the domestic and international competition represented mainly by the implementation of new automakers in the country. The establishment of Volkswagen – São Carlos was not an isolated initiative, for a new phase of investments had begun in late the 1980s both in companies already operating in Brazil and in newcomers. Substantial investments were made in this sector in the country. Table 1 contains data on the direct investments of automakers in new manufacturing units in Brazil.

Table 1.- New automobile plants - Brazil

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Start of operation</th>
<th>Location</th>
<th>Produced models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>1996</td>
<td>Resende – RJ</td>
<td>trucks and busses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>São Carlos – SP</td>
<td>1.0, 1.6, 1.8, and 2.0 engines</td>
</tr>
<tr>
<td>Honda</td>
<td>1997</td>
<td>Sumaré – SP</td>
<td>Civic Sedan</td>
</tr>
<tr>
<td>Renault</td>
<td>São José dos Pinhais – PR</td>
<td>Bels Horizonte-MG</td>
<td>Scénic and Clio</td>
</tr>
<tr>
<td>Fiat/Stola</td>
<td></td>
<td></td>
<td>Fiat Strada</td>
</tr>
<tr>
<td>Toyota</td>
<td>Indaiatuba – SP</td>
<td></td>
<td>Corolla</td>
</tr>
<tr>
<td>Chrysler /Daimler</td>
<td>1998</td>
<td>Campo Largo – PR</td>
<td>Dakota</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>Catalão – GO</td>
<td></td>
<td>pick-ups L200 4x4</td>
</tr>
<tr>
<td>Land Rover</td>
<td>São Bernardo – SP</td>
<td></td>
<td>Defender</td>
</tr>
<tr>
<td>Volkswagen (Audi)</td>
<td>São José dos Pinhais – PR</td>
<td>Juiz de Fora – MG</td>
<td>Golf and Audi A3</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>1999</td>
<td></td>
<td>Classe A</td>
</tr>
<tr>
<td>Fiat</td>
<td>Betim – MG</td>
<td></td>
<td>Engines</td>
</tr>
<tr>
<td>General Motors</td>
<td>Gravataí – RS</td>
<td></td>
<td>Blue Macaw</td>
</tr>
<tr>
<td>BMW/Chrysler</td>
<td>2000</td>
<td>Campo Largo – PR</td>
<td>1.4 and 1.6 engines</td>
</tr>
<tr>
<td>Peugeot/Citroën</td>
<td>Porto Real – RJ</td>
<td></td>
<td>Peugeot 206, Citroën Xsara and engines</td>
</tr>
<tr>
<td>Ford</td>
<td>2001</td>
<td>Camaçari – BA</td>
<td>small vans and Fiesta</td>
</tr>
</tbody>
</table>

Source: Based on ANFAVEA (1999), Sindipeças (1999), O Estado de São Paulo, Folha de São Paulo and Jornal da Tarde, Gazeta Mercantil (several issues).

The data demonstrate that the strategy of the automotive industry is characterized by the location of new industrial plants outside São Paulo’s metropolitan area, in regions with little industrial tradition in the sector. Although it received significant investments in the

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3 The autoparts manufacturers also export and supply components to the aftermarket and to other sectors.
modernization of existing plants\(^4\), the ABC region (Santo André, São Bernardo and São Caetano) received only one of the new industrial plants – the Land Rover factory. The region’s participation in national vehicle production dropped from 75% in 1975 to 37% in 1998 (DIEESE, 1997).

**Rationale for the location of the new plants**

In this section, we attempt to show how the different agents present the rationale and explanations regarding the issue of the industrial location of the new plants, particularly of Volkswagen’s São Carlos engine plant. Our main source of information is based on interviews between the participants of our project and the managers of the São Carlos engine plant and the company’s central administration in São Bernardo, as well as members of the factory commission of the São Carlos unit and representatives of the São Carlos and ABC Metalworkers’ Trade Unions.

To conduct this survey, we took recourse of the concepts formulated by Bourdieu, seeking not only a preconstructed representation of the interviewee’s world but also the cognitive schema upon which the construction of this image is founded. Thus, we have sought to ally the tools developed by ethnographic procedures and symbolical interactionism, particularly by the studies that seek to understand how people attribute meaning to their life situations, to the environments in which they share and structure their activities. In addition, the social conditions that make these interpretations possible are questioned, focusing on the correspondence between “the social and mental structures, the objective structure of the world and the cognitive structures through which the former is totally understood” (BOURDIEU, 1991, p.247). In other words, we seek to understand the world construction, the forms of action and the social representation of the actors involved in the issue, based on how they refer to each other. The choice of this survey format is also aimed at obtaining elements to understand how the interviewees build and legitimise their arguments, more specifically, the rationale underlying their reasoning, according to the formulation of BOLTANSKI & THEVENOT (1991). This focus on the constructions of the diverse agents allows us to indicate some of the elements that appear to make up the explanatory framework underpinning their constructions insofar as the question of the location of the new plants and industrial relations are concerned.

The first point that appears to permeate the different interpretations of the reasons that led the company to leave a point of industrial concentration and establish operations in São Carlos, in the interior of the state of São Paulo, is the issue of fiscal incentives. In the interviewees’ opinion, the escalating “fiscal war” in Brazil in recent years is a factor that strongly influenced Volkswagen’s decision. The most illustrative example, which serves as an

\(^4\) Volkswagen’s Anchieta plant is being remodelled to produce the new model currently being developed in the PQ24 project.
icon for the debate, are the incentives granted to Ford to install its operation in the state of Bahia, even though in the opinion of some interviewees, the incentives are simply another example of “benefits granted to companies nowadays” while others consider this sort of thing “inappropriate”.

With regard to the establishment of the São Carlos plant, the local authorities donated an area of 847 hectares and one third of the value of this land was paid for by the state government. This is an environmentally protected area, so the company committed to carry out compensatory actions. According to BUENO (2001), the donation itself is being legally questioned and has been ruled illegal in the first instance. The company was also granted exemption from the service tax (ISS) on the construction of the plant, and 10 years exemption from the real estate tax (IPTU), in line with Municipal Law 11.082/95, extendable for another 5 years. A series of additional benefits were gained through the promulgation of Municipal Law 11.081/95, by which the site was provided with public lighting, paving and asphalt, test tracks, etc.

Despite the efforts of the city’s authorities to attract this investment, it should be noted that the number of jobs that were opened is relatively low considering the capital investment made in the plant (ALVES et al., 1996). Moreover, no other companies have been attracted so far, as had been hoped. Volkswagen’s worldwide purchasing director had determined that this plant would adopt the modular consortium format as of 1997 and there was an area reserved next to the assembly line for 5 or 6 module suppliers, which would include the cylinder head, crankshaft and camshaft drive. Since the start, however, the plant’s management foresaw difficulties in implementing these modules, and nothing came of it. Nor has any other supplier moved to the city to supply the engine plant (ALVES et al., 2000). Even in Resende, where the modular consortium caught on, the investments by suppliers that were initially foreseen did not materialize (ABREU & RAMALHO, 2000).

In terms of relations with autoparts manufacturers physically closer, the automaker closed deals with several companies already established in the region, particularly to supply items for which it already had another supplier. In many cases, the supplier located closer is smaller, less technologically autonomous and with a larger proportion of his billings originating from Volkswagen. Nevertheless, the plant shows an intermediary configuration between modular consortium and the traditional, more vertically integrated form. The plant purchases a large number of outside components than the other engine plants operating in Brazil. In addition to components, several other activities are outsourced from other companies, such as tooling, internal material transportation, external logistics, waste control, work safety, and employee training, besides the usual cafeteria, cleaning and security services (ALVES et al., 2000). This level of outsourcing is a way of improving the productivity rate per employee, since the employees from the outsourced companies are not included in the plant’s accounting.
In addition to ISS and IPTU tax exemptions, the plant also does not pay the ICMS tax (tax on the circulation of manufactured products), since its product is not sold but simply transferred to another plant of the same company.

From the state government, the company obtained the installation of data transmission and telephone lines, the construction of a special road exit leading to the plant, a warehouse that serves as a kind of material holding place located in the district of Barra Funda, in São Paulo, and a warehouse at the Santos docks to hold the company’s products destined for exportation.

Another point that stands out is the difference in the level of salaries paid in the ABC region and those paid in the regions where new plants have been established, even though the cost of labour in the vehicle’s total cost is relatively small compared to the cost of parts and components. Table 2 shows the average monthly wages of a metalworker in the ABC region and in a few other cities where vehicle-manufacturing plants are located.

![Table 2.– Average monthly metalworker’s wages (1999)](image)

<table>
<thead>
<tr>
<th>City or region</th>
<th>Average wages (R$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC</td>
<td>1500.00</td>
</tr>
<tr>
<td>Betim</td>
<td>800.00</td>
</tr>
<tr>
<td>Resende</td>
<td>400.00</td>
</tr>
<tr>
<td>Indaiatuba</td>
<td>350.00</td>
</tr>
</tbody>
</table>


The share of labour costs is must be lower at the São Carlos unit that at the one in São Bernardo, owing to lower salaries, the fact that the plant has fewer employees involved in indirect activities, and the lower number of hired workers, one of the reasons for which is the higher level of production process automation at the new engine plant. Studies by the DIEESE cited by the members of the São Bernardo plant commission indicate that the share of labour in the total cost of the final product is about 8% at that unit.

Several company employees interviewed at the São Bernardo and São Carlos plants agree that, however low the cost of wages may be compared to the company’s overall costs, salaries are still a determining factor for Volkswagen’s decision, a fact clearly indicated by the company’s attitude during the 1999 strike, as will be discussed later herein. At the time the plant was established, the average salary in São Carlos was 53% lower than in São Bernardo. In 1999, while the lowest salary level at the ABC unit was R$1.366,00, the same level at the surveyed unit was R$450,00. Even after the concessions the company made as a

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5 The share of parts and components in the vehicle’s overall production cost is very substantial, varying from 60% to 80% (Posthuma, 1993).
result of this strike, the difference in salary levels between the two plants continued to be about 35%.

This issue gains greater importance when company representatives emphasize the existence of a good structure of technical and university education as a predominant factor for the choice of city. In their opinion, the education of workers was one of the attractions for the company and a decisive factor when compared to the salaries that would be paid to workers with the same level of education in the ABC region.

The presence of two public universities in the city, i.e., a University of São Paulo (USP) campus and the Federal University of São Carlos (UFSCar) was one of the aspects the company management mentioned most frequently as being decisive. On several occasions they pointed out the importance of these universities as potential partners in the development of research. The company has established projects with the universities, but this argument is interesting because it contrasts with the fact that most of Volkswagen’s technological development is accomplished at its headquarters in Germany and, on a less intense level, at the ABC unit. The company had announced the establishment of an Automotive Development Centre and the construction of a test track, but up to 2001 no investments had yet been made in this direction.

Questioned about the trade union action, all the interviewees indicated differences between the unions of the two cities, although most attempted to minimize the importance of this issue. The São Bernardo factory commission representatives mentioned the lack of physical space in the ABC region. One of the managers stated it might be a problem for some of the companies that are leaving the area, but it would not be for Volkswagen, which has extensive experience in trade union negotiations since Germany. Another manager stated that the ABC trade union has been more accessible to sign agreements. Nonetheless, this was one of the most seriously pondered aspects in the employee selection process for the São Carlos plant, as will be discussed in item four. It was mentioned for the first of its managers that the fact that it was a new plant opened up possibilities to experiment with new organizational arrangements, whose introduction in São Bernardo, at the time, would have faced stronger resistance.

Although it has not been mentioned, it is also worth noting that the opening of new plants changes the conditions of negotiations in the older plants. Kädtler and Sperling (2001) mention two cases in the German automobile industry, where even the possibility of opening new plants in other locations have been sufficient to change the conditions of negotiation. This took place in the Stuttgart plant of Mercedes and in the Wolfsburg and Hanover plants of Volkswagen. So, the opening of new plants in Brazil explains why the ABC trade union has been more accessible.
THE ENGINE PLANT IN SÃO CARLOS

In the late seventies, Volkswagen of Brazil began to invest in other plants, thereby starting a process of deverticalisation of its Anchieta factory, which had over 40 thousand employees in the mid-80s. In 1979, the company inaugurated a vehicle-manufacturing unit in Taubaté, state of São Paulo. An interesting fact is that Ford and General Motors also established factories in Taubaté at the same time. However, Volkswagen’s decentralization process gained momentum in the 90s with the construction of three new plants: the engine plant in São Carlos, a bus and truck unit in Resende, state of Rio de Janeiro, and a passenger car unit in São José dos Pinhais, state of Paraná.

The São Carlos plant was built with the purpose of, at first, producing engines for the Gol 1000 model manufactured in Taubaté, and was later expanded to produce engines for the Golf and Audi A3 manufactured in São José dos Pinhais. Currently, the plant has approximately 450 direct Volkswagen employees and 250 employees from outsourced service companies.

Description of the plant and the work organization

The 1.0 cc engines are produced in three sectors, the first being machining of the cylinder block. The machines are lined up and interconnected by a conveyor belt (transfer line). This line was conceived to provide flexible manufacturing, i.e., various types of cylinder blocks can be machined on it using CNC equipment to machine different parts by switching from one computer program to another.

The second sector is a U-shaped assembly line on which the premachined cylinder block is placed by means of a pallet coupled to a conveyor belt. This belt moves the cylinder block from one workstation to the next. This assembly is used to assemble the engine’s internal elements. Activities that entail altering the position of the cylinder block or require greater precision, such as checking on the engine’s silicon seal, are carried out by robots.

The last sector consists of another line for the final engine assembly. Here the external parts of the cylinder block are mounted, such as the oil pump and the exhaust collector for outgoing exhaust fumes. Because it is basically dependent on its operators, the assembly line is flexible, so new workstations are added whenever necessary upon the introduction of new products or processes. After this operation, the engines are sent to the testing area.

The workers in these three sectors are divided into groups in which each worker is allocated to a reference workstation. However, the worker is gradually trained to work at

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6 In February 2000, the plant had approximately 17,700 direct employees plus another 4 thousand hired through other companies. By June 2001, the number of direct employees had dropped to 16 thousand.
other workstations, allowing for the practice of function rotation within the group when necessary. Each group consists of about 10 workers and one monitor. The monitor do the accompaniment of the activities, guiding the other group members, particularly when they switch workstations, and replaces workers who are absent or participating in a training course.

Each sector is considered a production cell or, in the jargon of one of the interviewed managers, a “self-manageable mini-company”. Each cell contains two groups managed by a leader and also has four mechanical, logistic and quality support personnel. The function of these professionals is to advise the group, acting directly with the workers and monitors in the daily production problems that may arise and participating in problem solving meetings.

Although the three sectors have similar organizational arrangements, there are clear and significant differences in the work content. In the machining sector, the worker’s actions are directed at supervising machine operations and checking possible process defects. The worker monitors the machining processes by means of the screen of the CNC device, checking to ensure they proceed according to plan and whether tool changes are required. It is the worker’s responsibility to detect problems in the functioning of the machine that may cause production stoppages. Strong emphasis is placed on the worker’s ability to solve existing problems and to anticipate possible malfunctioning, together with the other members of the group, the monitor, the support personnel and the cell leader, as necessary.

With regard to the checking tasks, it is up to the machining workstation workers to periodically remove a cylinder block from the line and gauge it to ensure it is within the specified tolerances. A specific area is set aside for this purpose next to the machine, containing a set of gauging instruments and a list of instructions indicating the measurements that should be taken and their frequency, e.g., one gauge for every 50 engines.

Assembly, on the other hand, requires the constant presence of the worker to insert the components. The line operates under the concept of allocated time, i.e., the time spent on each operation is preestablished and the operators must perform their tasks within the established time limits. However, the release of a product to the next workstation depends on the operator activating a command to move the conveyor belt. Most tasks have short cycles, i.e., they are repeated innumerable times during the workday.

From the start, this plant has been organized with few hierarchical levels, i.e., plant manager – leader – monitor – shop floor worker. According to one of the interviewees, “If you want to talk to the person responsible, you go directly to him and the leaders or monitors are always evaluated by the workers”.

The São Carlos plant has become a reference for the managers and also the workers in São Bernardo, which was evidenced in the interviews. In the words of one manager, “São Carlos has production cells that we want to implement here, where it’s more difficult.”
WORKERS' PROFILE AND INDUSTRIAL RELATIONS

At the time the new plant became operational, the recruitment of engineers, technicians, workers, secretaries, etc. was done through the municipal administration, which received approximately three thousand résumés, made a preselection, and sent them onto Volkswagen for selection. The company favoured the selection of young people with little or no industrial experience. The average age of Volkswagen’s São Carlos employees is 29, while in São Bernardo it is 35. The minimum required educational level is the complete secondary level, even for those who work in the outsourced support services such as cleaning and cafeteria. All the leaders, who are paid hourly, have a university degree and some of them hold post-graduate degrees. The workers in the three sectors receive the same salary.

As a result, there is a significant difference in the educational level of the company’s employees in São Bernardo and São Carlos, as shown in Table 3. The requirement of a full secondary education, which has been adopted by many companies besides Volkswagen, has been facilitated by the high unemployment rate and has led to the exclusion of a large part of the population, since only 35% of the population between 15 and 19 years old has a secondary education (SALM & FOGAÇA, 1992).

<table>
<thead>
<tr>
<th>Education</th>
<th>Factory</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>São Bernardo</td>
<td>São Carlos</td>
</tr>
<tr>
<td>Primary – not concluded</td>
<td>17,0%</td>
<td>nd</td>
</tr>
<tr>
<td>Primary – concluded</td>
<td>43,0%</td>
<td>0,5%</td>
</tr>
<tr>
<td>Secondary – not concluded</td>
<td>6,0%</td>
<td>nd</td>
</tr>
<tr>
<td>Secondary – concluded</td>
<td>20,0%</td>
<td>91,0%</td>
</tr>
<tr>
<td>University – not concluded</td>
<td>13,0%</td>
<td>4,4%</td>
</tr>
<tr>
<td>University – concluded</td>
<td>1,0%</td>
<td>4,4%</td>
</tr>
<tr>
<td>Total</td>
<td>100,0%</td>
<td>99,8%</td>
</tr>
</tbody>
</table>

This recruitment and selection policy goes hand in hand with a strong emphasis on in-house training, which was particularly important for the first employees hired by the plant. An initial group of workers was hired months before the plant began operating, especially in technical functions, i.e., process, tooling, product, quality and logistics engineers, electrical and electronic technicians, maintenance mechanics, leaders and some workers. This group was given intensive training, visited other Volkswagen plants, some of them abroad, and was responsible for implementing the plant.
The average annual number of hours of training per employee was 143 hours in 1997, 174 hours in 1998 and 155 hours up to October 1999, involving courses such as TPM (preventive maintenance), housekeeping, process control techniques, ISO 9000 and ISO 14000, and group work for all the employees. It is worth noting that training is the responsibility of the local SENAI (National Industrial Training Service), which coordinates all the plant’s training activities, for which it has two full-time employees allocated to the plant.

The company instituted a versatility chart for each employee, on which the training courses he receives are recorded, indicating what functions he is qualified to perform within his group. Each employee is encouraged to fill up his chart, thereby opening up possibilities for promotion. As one of the interviewees said, “We have a girl here who started on the production line and demonstrated an interest in quality. Today she is doing a course paid by the company and will soon have a place in our quality department.”

Because it is a new plant with young people, the company “expected to influence attitudes and values within a new framework, which is much easier than changing a preexistent culture” (RACHID et al., 1999).

Another important aspect of the selection criteria adopted by the company was the selection of people without a “metalworker’s culture”, which probably refers to the “vices” associated both to work activity itself and to the traditional trade union action observed in São Bernardo and Taubaté. Although the latter plant is newer and located outside the ABC region, one of the interviewees stated that the same trade union culture soon became established in Taubaté, attributing it to the fact that many people from São Bernardo were hired. The establishment of the other automakers in the city, Ford and General Motors, must also have contributed to create this “culture”.

A similar selection process was observed at other companies surveyed for this research work. The Chrysler and Tritec factories recently established in the state of Paraná also hired young people (average age: 24) without experience in the metallurgical and mechanical industry. The structure also foresaw job rotation associated with training and the first group of workers hired to render the plant operational played an important role for which they were given more intensive training.

The Metalworkers’ Trade Union of São Carlos

São Carlos has a tradition in the metallurgical and mechanical industry that goes back to the early 1900s. In more recent times, two large white goods manufacturers and a tractor manufacturer (which went bankrupt in the 80s) have stood out. The Metalworkers’ Union is a

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7 This is a region in which farming and industrial ceramics are the predominant economic activities.
traditional trade union founded in 1961 with support from the Catholic church and from university students⁸. Today, the union is affiliated to the SDS (Social Trade Union Democracy)⁹ and has 5200 members, corresponding to 52% of the category (TRUZZI, 2000; BUENO, 2001).

The members of the São Carlos plant commission find it difficult to participate in the metalworkers’ trade union, whose founder, Antônio Cabeça Filho, only left the union between 1985 and 1996. Even during that period, however, the union’s top echelon contained people loyal to him. The union’s statute foresees elections every 5 years. The members can impugn the slate and the President judges impugnments. Only people who have been members for over three years and worked in their profession for four uninterrupted years have the right to vote and to be voted for. Although not dictated by the statutes, a slate can only be put forward with a minimum of 37 candidates. Since its foundation, the union has had only one opposing slate, which lost the election (BUENO, 2001). There are several cases of people in the town who were fired from the companies where they worked when they attempted to set up opposition slates.

An interesting case relating the union behaviour was reported by one of the city’s businessmen interviewed for a project¹⁰. He stated that there were employees in his company who complained to the trade union about their working conditions, but people from the trade union warned him about them. He fired five employees and the complaints stopped.

In 1996, the year when Volkswagen’s new plant began operating, the trade union signed an agreement with the company about the "hour bank" without consulting its workers. The agreement stipulated that the limit for this hour bank would be 54 hours per week, i.e., 10 hours more than the normal working week, without the right to overtime pay (BUENO, 2001). The company also tried to close a deal about this issue in Resende, which was not accepted by the local metalworkers’ union (ABREU & RAMALHO, 2000).

**Strikes at the plant**

In July 1999 the employees of Volkswagen’s São Carlos plant went on strike. The main reason for this strike was the salary difference between the company’s manufacturing units in Brazil. The workers had received no salary increase since 1996. Shortly before the

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⁸ Information about the students’ participation was given by people who actually witnessed the events and through photographs from the archives of the academic centre of USP-São Carlos.

⁹ A dissident offshoot of the Dissidência da Força Sindical (Trade Union Force Dissidence) and the Central Geral dos Trabalhadores (General Workers Centre), created in São Paulo in June 1997. It is connected to the government party, the PSDB (Brazilian Social Democratic Party), and is composed of approximately 600 trade unions acting in 18 states (WEBER, 1998).

strike began, it was reported that a salary bonus of 10% would be conceded at the ABC unit and of 2% at the São Carlos plant. Getting together internally without support from the metalworkers’ union, the employees decided to stop the plant’s activities and set up a negotiating commission of 23 people. The main demands were salary levelling, 12-month job stability for everyone and 24-month stability for the members of the commission, as well as the formation of a 7-person plant commission.

The company’s human resources director went to São Carlos and “clearly stated […] that he would not pay what is paid in the ABC. Otherwise, he would close down the São Carlos plant”. Nevertheless, the company agreed to negotiate, with the presence of two trade union directors from the ABC metalworkers’ union. The local trade union had to participate in the negotiations to meet the legal requirements, but at several occasions manifested its opposition to the demands. The negotiations resulted in the concession of a 5% salary increase, special discounts at some drugstores, a R$350,00 bonus, Participation in Profits and Results (PPR) in the amount of R$1,000,00 unconnected to goals and paid over two months, and the formation of a plant commission composed of three workers, one from each sector of the plant (machining, internal assembly and final assembly) (BUENO, 2001).

Since the late 90s, the trade unions have mobilized nationally to demand the establishment of a 36-hour workweek and a national minimum salary level. The amount demanded as the minimum in September 1999 was R$800,00, which was defined based on the average salary in Betim, state of Minas Gerais. At that time, the trade union groups throughout the country organized a so-called “strike festival”, i.e., a 24-hour stoppage, each week in a different state which housed any automakers plant. The workers of Volkswagen’s plant adhered to the strike, causing its complete stoppage on October 7, 1999. This stoppage had also not been organized with the trade union, although one of the local newspapers attributed the stoppage to the union. On the day of the strike, while the employees gathered together in a downtown square, the union’s representatives met outside the entrance to the plant as a form of participating in the national movement.

In 2000, the plant commission negotiated a new agreement for the hour bank, reducing the limit to 46 hours. The agreement also established a 50% reduction of the workers’ deficit in the hour bank, which showed an average deficit of 150 hours, and the worker’s deficit would automatically be cancelled if he did not manage to cancel his negative balance by July 2001.

Another demand of the workers was an increase of the average salary to R$1,200,00 and a participation of R$2,100,00 in the company’s profits and results, the same amount paid at the São Bernardo plant. This demand was not met, so on March 15, 2000 the workers began a “snail operation”, drastically slowing down the work pace and producing only 330 of the normal 1,200 engines per day. As a result, 22 employees were fired. The trade union did not
participate in this movement and announced its opposition to it in the local press (BUENO, 2001).

**CHANGES IN THE INITIAL ORGANIZATIONAL ARRANGEMENTS**

All those initial requirements for selection, i.e., young educated people, foreign travels, indications about promotions, etc. created strong expectations in those hired. As one manager put it, “Everyone has a secondary education and some are even university graduates, so the expectations are higher. Another influencing factor is the average age of 29. Except for the managers, the average age is 23, so expectations for career growth are very strong. The employees always say, ‘when I joined this company, they demanded a secondary education’...”. Many of the Volkswagen's São Carlos employees left other jobs in town, in some cases for a lower salary, attracted by the possibility of working for a multinational, receiving greater benefits, salary increases and promotions.

These expectations seem not to have materialized: 70% of the initial group of shop floor workers have already left the company and the stay time averages 1_ years. A similar situation has been observed at autoparts manufacturers surveyed for this research work. One of them also hired young people with an average age of 23, “without paradigms”, according to the manager, although he himself admits that this caused “many problems relating to turnover, because of their youth. They participate in selection tests to join the police force, university, college …”

Changes have also taken place in the company’s organizational structure along the years, occurring more intensively in the months preceding and following the strike movement. The emphasis on job/workstation rotation has lessened and workstations with specific workers who perform only one task are now common. The salaries of the workers in the three sectors have also become differentiated.

After the strike, other concepts originating at the São Carlos plant regarding the worker’s profile and industrial relations have been revised, and older, married candidates are no longer rejected. A person from the industrial relations department of the São Bernardo unit replaced the director of human resources. Two people from human resources now work on the shop floor next to the leaders. “Experience has shown the need for HR there [in the plant]. Otherwise, the problems keep on growing. [Now] from 50% to 70% of the problems are solved on the spot. Work relations have become stronger. […] The leader cannot process [the problems]. He doesn’t have the savvy to manage people, doesn’t know the labour laws, doesn’t know labour agreements. [The two HR people] are the leaders’ consultants, advising him on how to solve [labour] problems.”
The survey also revealed the company’s difficulties to negotiate with the workers without the presence of the trade union, or, as one manager put it, “without the trade union, the problem doesn’t get solved.”

To a certain extent, therefore, there has been a breakdown of the initial rhetoric and organizational arrangement, which, based on a “free market” of opportunities, gave the participants to understand that they would be competing under equal conditions and that their success would be based on personal effort. The plant gradually became hierarchised, i.e., new “exchange currencies” were introduced. Technical and social skills and know-how developed prior to being hired, as well as the ability to carry out routine daily procedures, have gradually become key skills, substituting the demands of competition and suggestion of changes needed at the beginning and in the early years of operation. A similar process is beginning to appear at other new plants surveyed, as the example demonstrated at Chrysler, Paraná, where job rotation was abandoned in several sectors and workstations became fixed, as in the case of the painting operations.

**Final considerations**

We have focused primarily on the different points of view aimed at explaining the industrial location directly, as seen by the agents involved. We believe it is now interesting to analyse the points relating to the strike movement coupled with labour relations, which further contribute toward an understanding of the above issue.

Upon observing the plant’s configuration, it is interesting to note the choice of the type of labour employed, i.e., young people with a high educational level but devoid of the “metalworkers’ culture”. These “elected” were offered the opportunity to work in a ‘state-of-the-art’ company, with a status unparalleled in the region and constantly associated with ideas of individual development that could lead to professional success.

The association between personal effort and professional success was reinforced by the fact that everyone worked under the “same conditions”, which was evidenced and publicized by emphasizing the existence of but a few hierarchical levels. The versatility charts placed everyone in a “general company market”, in which their value was constantly assesses and compared to that of the other holders of specific skills.

By their installation in a new region, the managing staff expected to enjoy ample flexibility in regard to the employees’ activities and to the possibility of adopting organizational solutions whose implementation would be more costly in regions with a stronger industrial tradition. In the traditional regions there would be difficulties in imposing new organizational and working arrangements, since the trade union organizations, though pressured by growing unemployment, are still intermediaries in negotiations involving shop floor changes.
In the face of such conditions, several considerations can be made about the link between the human resources management structure and the trade union issue. For the “new labour”, the collective perspective of action in the trade union is unknown and, in some cases, practically nonexistent, because the companies that seek out new regions arrive with more automated processes, a significant part of which preclude experienced labour used to working within the more traditional framework of the automotive industry. In truth, labour recruiting at the new companies prioritises younger individuals “without vices”, who receive more training and are more willing to share the values intrinsic to the new organizational and work arrangements: team work, a measure of versatility, identification with the company, and careful use of automated equipment.

One of the most intriguing aspects of this situation, which offers elements to aid in understanding the question of the trade union action and the company’s industrial location, is revealed by observing what happens at the new industrial plants when their operations attain a certain maturity. In time, when the perspectives for promotion inside the plant become less promising, it is probable that the functioning of the plant and its labour, which today are considered “flexible”, will acquire a certain rigidity, giving rise to opportunities for organizational and work structures to be revised.

This issue appears pertinent when one analyses the strike movements and realizes that one of the motivating factors that is still markedly present is the existence of strong expectations regarding career perspectives and professional success.

This process, which seems to be ongoing at the São Carlos plant and has started to formalize industrial relations, will become more similar to that of the company’s headquarters in Anchieta – São Bernardo do Campo. The process is simultaneously self-fed because São Carlos also serves as a reference for changes at the São Bernardo plant.

The arrival of an experienced human relations manager and the inclusion of human resources employees in the shop floor structure ended up by breaking, to a certain extent, the earlier enchantment of an organizational arrangement that privileged how much each person could contribute toward the technical specificities of production. Thus, we have seen that, in face of the industrial relations development process at the new plant, solutions sought to solve the impasses emerged through alternatives that had been seen as valid and that, to some extent, there has been a reconstruction of the traditional industrial relations more in line with the format adopted in São Bernardo.
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